



# MEMORANDUM

To: Members of the House Committee on Tax Policy

From: Michigan Association of School Boards  
Michigan Education Association  
Michigan Association of Superintendents & Administrators  
Michigan Association of Intermediate School Administrators  
AFT Michigan  
Michigan Association of Secondary School Principals  
Middle Cities Education Association  
Michigan Elementary and Middle School Principals Association

RE: Tax Policy Effects on School Aid Fund and Opposition to Senate Bills 906-907

Date: Nov. 28, 2018

We write today in opposition to Senate Bills 906-907, which would exempt the sale or lease of school buses or transportation-related services from sales and use taxes, cutting revenues to the School Aid Fund by at least \$1 million. We'd also like to demonstrate the cumulative totals of the tax changes that have been made this year.

Attached to this memo are two lists—the first is all of the Public Acts that have been signed during this legislative session that affect revenue streams to the School Aid Fund and local communities and schools. You'll see that six of those bills total cuts of at least \$50.85 million and nine other bills have an indeterminate negative cost.

The second memo is all of the tax policy issues that are currently pending before the Legislature. This represents any bill that has been reported from committee or passed by one chamber. There are 27 bills on this list and more are posted on various committee agendas, including this one.

We urge you to look very closely at these bills and the others on these lists and the cumulative damage they have over time. While each bill on its own may not seem like a large decrease to the School Aid Fund, when combined with other bills passed in recent years, the revenue streams to our local schools and the School Aid Fund continue to be eroded.

Our schools will continue to see cuts if the School Aid Fund does not receive the revenue necessary to support our students and communities. A more comprehensive conversation about how and what we tax needs to be had rather than a continued piecemeal approach to Michigan's tax system.

If you have any questions, please feel free to contact any of us in the education community listed above.





## ***Tax Policy Changes and Costs to Local Revenue and School Aid Fund in 2017-18 Session***

*Fifteen Public Acts signed so far this session include a minimum loss of revenue for School Aid Fund and local districts of **\$50.85 million**, with indeterminate costs for 9 bills.*

*Two Public Acts signed so far this session include 2 bills for which the increase is indeterminate, though likely small.*



SB359 (PA42'2017) – allow PPT exemption retroactively

**Amount of loss unknown**

SB113-114 (PA48-49'17) - exempt eligible brownfield redevelopment activities from sales and use tax

**Amount of loss unknown**



HB4335-4336 (PA121-122'17) – prohibit primary residence exemption in Michigan if have a similar exemption in another state

**Amount of increase unknown**



HB4561 and 4564 (PA 113-114'18) – clarify sales and use tax on certain agricultural equipment, retroactively to April 9, 2018

**Amount of loss \$27 million in current year, \$35 million in FY18/19, settling at \$6 million after that**



HB4396 (PA149'17) – modifies the pension tax for certain individuals

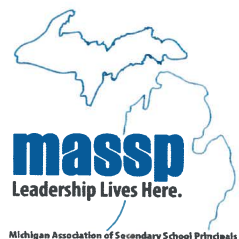
**Approximately \$550,000 minimum loss to SAF**

SB94-95 (PA 1-2'18) – accelerate the elimination of the sales and use taxes on the difference between the value of a trade-in and a new vehicle.

**\$6.3 Million loss to SAF in first year, then increasing**

SB 748 (PA38'18) – amend the income tax policy dealing with the number or personal and dependency exemptions

**\$17 million loss to SAF in FY19, then increasing**



HB4905 (PA133'18) – modify principal residence exemption for residents of nursing homes

**Amount of loss unknown, likely small**

HB5620-5621 (PA167-168'18) – allow sales & use tax refund claim after sale

**Amount of loss unknown, likely small**



HB4643 (PA172'18) – modify eligibility requirements for exemptions of the State Real Estate Transfer Tax

**Amount of loss unknown**

SB887 (PA201'18) – modify use tax definition for construction

**Amount of loss unknown, likely small**



HB4115 (PA249'18) – increase amount of sales tax exemptions for retail fund-raising activities by nonprofits

**Amount of loss unknown, likely small**





**MASB**  
MICHIGAN ASSOCIATION  
OF SCHOOL BOARDS

## **Tax Issues Pending Before Legislature**

### **HOUSE FLOOR**

SB390 – change in iron ore tax distribution (amount of loss: \$6 million in the first years, then decreasing)

SB511-512 – create a first-time home buyer income tax deduction (amount of loss unknown, likely small)

HB5428 – create income tax deduction for contributions to an enhanced MESP account (amount of loss unknown, potentially significant)

HB6294 – expand Neighborhood Enterprise Zones throughout the state (amount loss unknown)

HB6485 – clarify qualifying expenses related to oil and gas production (amount of loss unknown)

### **HOUSE COMMITTEES (SECOND CHAMBER)**

SB78 – continue personal residence exemption upon death of homeowner (amount of loss unknown)

SB266 – modify pension and retirement tax deductions for certain retirees (amount of loss: \$2.6 million in current year, then decreasing)

SB906-907 – exempt all school bus leases from sales & use tax (amount of loss: 2.8 million)

SB927 – exempt rented heavy equipment from the personal property tax (amount of loss unknown, potentially significant)

### **SENATE FLOOR**

SB45 – modify property tax exemptions for veterans (amount of loss unknown)

SB91-92 – exempt feminine hygiene products from sales & use tax\* (amount of loss: \$3.7 million \*does include intent language to hold SAF harmless)

SB549 – create income tax deduction for contributions to an enhanced MESP account (amount of loss unknown, potentially significant)

SB1026-1027 – exempt contact lenses from sales & use taxes (amount of loss: \$9.3 million)

SB1031 – exempt utility company personal property from personal property tax (amount of loss: \$76.6 million to SAF, \$243.1 million to local school revenue)

SB1034 – modify qualified forest property that is taxable under local school operation millages (amount of loss unknown)

SB1035 – exempt sportsmen clubs from property taxes if the property is used for charitable purposes (amount of loss unknown)

SB1170 – changes to the flow-through entity tax and income tax (amount of loss: approx. \$180 million to SAF)

HB4522 – create income tax exemption for stillborn birth (amount of loss unknown, likely small)

HB5143 – exempt alternative energy systems from personal property tax (amount of loss unknown, likely small)

HB5454 – allow personal residence exemption to continue while rebuilding a demolished or destroyed homestead (amount of loss unknown, likely small)

HB5680 – exclude the cost of solar panels from property tax assessments (amount of loss unknown, likely small)

### **SENATE COMMITTEES (SECOND CHAMBER)**

HB5034 -- Extend pension tax treatment to surviving spouse (amount of loss \$1.2 million in first year and then declining)

HB5913 – create sales & use tax exemptions for 501(c)(19) organizations (amount of loss unknown, likely small)

Updated 11/27/18